

Chairman and CEOs' Review



Welcome to the WorleyParsons Annual Report for financial year 2016.

We made substantial progress during the year on our near-term priorities including improving our level of customer satisfaction, reducing internal costs, streamlining our service delivery and strengthening our balance sheet.

Our cost reduction program lowered overheads by \$170 million when compared to the prior year. By the end of June we have achieved annualized cost reductions of \$200 million, exceeding our target of \$120 million. These savings reduced the impact of lower revenues on our underlying EBIT margin.

Our customers continue to face difficult market conditions. The ongoing weakness in commodity prices has led to further declines in capital expenditure across the resources and energy sectors.

Importantly in this environment, our customer feedback results are the best we have ever achieved, validating the action we have taken over the last 12 months including the realignment of the business into the four business lines of Services, Major Projects, *Improve* and Advisian. While significant progress has been made, continuing to adapt and innovate will be a necessary and integral part of doing business. The Company is now leaner and better able to meet the challenges in the market.

In order to improve our service delivery, specific offerings were developed to deliver further value to WorleyParsons' customers. We launched the Advisian business line, integrated the Breakthrough Project Delivery model into the Project Management Consulting (PMC) offering and accelerated work process transfers to the Global Delivery Centers (GDC).

We closed 30 offices with an associated floor space reduction of 73,000 square meters. We maintain a presence in 42 countries. In addition, we finalized the sale of Exmouth

power station and we identified non-core assets to be held for sale including the South African public infrastructure business and the Company's interest in Cegertec WorleyParsons in Quebec.

We have made progress in strengthening our balance sheet. Efforts to date have achieved an improvement in day sales outstanding by 4 days, with more than half our locations showing improvement from December to June. However, we still have more to do if we are to achieve our target of industry average of 65 days. Cash outflows were reduced by approximately \$255 million through a combination of lower capital expenditure, reduced capital spending on acquisitions and no interim dividend.

While we are making progress towards our near term goals, and in most cases exceeding our own targets, we still have considerably more to do. Our management and organization as a whole remain focused on doing what is necessary to align our business with the prevailing marketing conditions, while also looking for opportunities where we can grow into the long term sustainable markets of the future.

Realize our future

At the core of the longer term sustainability of the business are the five strategic themes we introduced during financial year 2015, focused on defending and growing our business through the development of enhanced capabilities and offerings. With our local operations, the objective is to free them up to focus on excellence in delivery so they are able to make the most out of the opportunities in their markets. Refer to pages 10 and 11 of this Annual Report to read more on our journey to Realize Our Future.

The Company continues to defend and strengthen its leadership position in upstream oil and gas. We continue to expand our capability in the growing sub sectors of chemicals, power and water. Key focus areas are the development of the Company's emerging digital and new energy capabilities. Geographically, Saudi Arabia and China's "One Belt, One Road" initiative continue to represent significant opportunities for the Company.

Financial performance

The Group reported an improved statutory result with net profit after tax of \$23.5 million (NPAT) after last financial year's statutory loss of \$54.9 million. The underlying net profit after tax of \$153.1 million (excluding \$129.6 million of one off costs) was down 37% on our restated financial year 2015 underlying result of \$243.1 million. The Group delivered a positive operating cash flow of \$192.0 million, with cash conversion at 125% of underlying NPAT compared with 103% in the prior year. Our gearing was 29.2% and remains within our target range. Our net debt to EBITDA is 2.4 times. The Board has resolved not to pay a final dividend for financial year 2016 as the Company focuses on its balance sheet.

Health, Safety and Environment (HSE)

We are committed to our vision of Zero Harm to people and assets and zero environmental incidents. This year, our Total Recordable Case Frequency Rate (per 200,000 manhours) reduced to 0.07 from 0.12. Notwithstanding this improvement, we are deeply saddened to report four fatal incidents involving our contractors. Three individuals lost their lives in vehicle related accidents in Turkey and another person was fatally injured while working at height in Saudi Arabia. Vehicle operation and working at heights remain the greatest risks to the safety of our employees and contractors. These will continue to be focus areas for the business.

People

It has been a difficult year for our people, as we adapted to the changing needs of our customers and the dynamics of our markets. This year we reduced the workforce by a further 6,900 to its current level of 24,500. We have made, and will continue to make, tough decisions that balance the requirements to maintain capability and local presence to support our customers, with the longer term interests of our shareholders.

Both the Board and Group Leadership Team would like to express their appreciation for the commitment and contribution of our people to WorleyParsons during what has been an extremely trying year.

Board changes

After joining the Board on 1 July 2015, Jagjeet (Jeet) Bindra assumed the role of Remuneration Committee Chairman following the 2015 Annual General Meeting. Jeet succeeds John Green who held the position of Remuneration Committee Chairman since 2008. We thank John for his strong guidance and leadership.

Ethics and corporate responsibility

We recognize that WorleyParsons' reputation for honesty, integrity and ethical dealings is one of its key business assets and a critical factor in ensuring the Company's ongoing success. All of WorleyParsons' people and our agents, are required to maintain the standard of ethical behavior outlined in our Code of Conduct and as expected by our customers, suppliers and shareholders.

The Company fulfills its corporate responsibilities across all the parts of the world where we do business. We ensure that our programs are as effective and efficient as possible in delivering value to the communities we support. The Australian Council of Superannuation Investors awarded WorleyParsons the rating of "Leading" in corporate responsibility reporting practices. We also received the award for "Best Improvement in Climate Disclosure at the Australian Climate Leadership Forum".

This year, we also launched the Group's Diversity and Inclusion Expectations supported by local campaigns and unconscious bias training. The Corporate Responsibility section of this Annual Report provides detail of these activities.

Corporate governance

The Board remains confident that the Company has in place a strong corporate governance system, and that this system is well maintained, reviewed and updated. The Group maintains a comprehensive, independent, internal audit program that reports directly to the Audit and Risk Committee. This function not only focuses on specific areas of interest, but provides assurance annually to the Audit and Risk Committee on the adequacy and effectiveness of the Group's internal controls. The Corporate Governance Statement 2016 can be found on the Company's website.

Conclusion

We would like to thank the directors, the Group Leadership Team, and our people for their contribution in what has been another difficult year in our markets and organization. We would like to thank our shareholders for their continuing support and look forward to realizing the future of WorleyParsons together.



John Grill AO
Chairman and Non-Executive Director



Andrew Wood
Chief Executive Officer